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PRESIDENT SIGNS SBA REAUTHORIZATION AND BUDGET BILLS FOR FY 2001

Bills Add New Markets Venture Capital Program, Improve Incentives for Smaller Loans, Maintain High Funding Levels for SBA Programs

WASHINGTON – President Clinton signed into law legislation Thursday that provides a near-historic level of funding support for U.S. Small Business Administration (SBA) programs, and authorizes a New Markets Venture Capital program to invest in small businesses in low-income areas.

The budget and reauthorization bills were adopted by Congress on the closing day of the 106th Congress. The appropriations package is subject to a rescission of 0.22 percent, and the SBA is developing a plan for meeting the required reductions.

The reauthorization legislation adds a New Markets Venture Capital program, expands the Microloan program, greatly simplifies the loan guaranty fee structure and adopts SBA-backed incentives to lenders to make more of the smaller loans that newer and smaller entrepreneurs need.

The budget agreement appropriates \$901.5 million for agency programs, providing funds for \$10.4 billion in Section 7(a) guaranteed loans, \$3.75 billion in Certified Development Company loans, and nearly \$2.7 billion in venture capital assistance, including \$152 million for the New Markets Venture Capital companies.

SBA Administrator Aida Alvarez called the legislation “a great package for the SBA and for small businesses. It will help us open the doors of economic opportunity to all Americans, to economically disadvantaged urban and rural New Markets communities, to minorities and women and other entrepreneurs who have not yet shared in our nation’s great economy.

“Since the start of fiscal year 1993, the SBA has backed almost \$85 billion in loans and \$20 billion in venture capital to small businesses, more than in the agency’s entire 40-year history before that time,” Administrator Alvarez said. “We have increased our assistance to New Markets entrepreneurs to the point where last year, in fy 2000, loans to minorities amounted to nearly 30 percent of total SBA loan volume.

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“With this legislation, we will be able to keep on making available to all of America’s entrepreneurs the capital, the technical assistance and the tools they need to continue their lasting contribution to the nation’s economy,” said Administrator Alvarez. **“This would not have been possible without the cooperation between the Clinton Administration and Congress – especially the leadership of the House and Senate Small Business Committees. Their shared commitment to a growing and vibrant small business sector is truly noteworthy.”**

The New Markets Venture Capital (NMVC) program will combine venture capital investments with expert technical assistance to small businesses in low-income urban and rural areas. This will be the first time SBA has been able to provide funding for technical assistance in connection with a venture capital program.

Under the new program, SBA will license 10 to 20 new NMVCs to invest in these small businesses, combining \$152 million in SBA funding with \$100 million in private sector funding to create an investment pool of more than \$250 million. The bill also provides \$30 million in matching funds to pay for technical assistance for small businesses.

Besides authorizing the NMVC program and BusinessLINC, a mentoring program for New Markets companies, the reauthorization package made a number of changes sought by the SBA in the 7(a) loan program.

The most significant changes were to the 7(a) General Business Loan Guaranty program. The bill raises the guaranty percentage to 85 percent for loans up to \$150,000, and greatly simplifies the guaranty fee structure. Both changes will make it easier for lenders to make smaller loans under \$150,000. The bill also establishes prepayment fees, increases the maximum SBA loan guaranty to \$1 million and, for the first time, sets a maximum gross loan limit at \$2 million.

The reauthorization package also:

- Increases the maximum size for loans in the 504 program to \$1 million;
- Increases the maximum size for Microloans from \$25,000 to \$35,000, and allows SBA to continue expanding the number of lenders in the program;
- Authorizes federal savings associations to invest in small business investment companies;
- Increases the maximum size of surety bonds to \$2 million;
- Authorizes reserving federal contracts under certain conditions for economically disadvantaged women-owned small businesses.

Highlights of the budget bill include:

Access to Capital:

- \$10.4 billion for SBA-guaranteed loans under the 7(a) General Business Loan Guaranty program;
- \$3.75 billion in SBA-backed loans under the 504 Certified Development Company program;
- \$2.7 billion in venture capital assistance under the Small Business Investment Company (SBIC) programs, including \$152 million for New Market Venture Capital Companies, and \$30 million in technical assistance;

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- \$26 million in loans under the Microloan program, and \$20 million in technical assistance for Microloan borrowers;
- \$15 million in technical assistance for individuals, small businesses and micro-enterprise lenders under the Program for Investment In Micro-Entrepreneurs.

Business Development Assistance:

- \$88 million for Small Business Development Centers;
- \$3.1 million for the One Stop Capital Shop network;
- \$3.75 million for the Service Corps of Retired Executives (SCORE);
- \$500,000 for Business Information Centers;
- \$3.1 million to U.S. Export Assistance Centers;
- \$3.5 million for the Drug Free Workplace Initiative;
- \$5 million under the Small Business Innovation Research program for technical assistance to small business participants in the program;
- \$7 million for BusinessLINC – a New Markets initiative linking large and small businesses in mentoring and direct technical assistance relationships.

Advocacy for Small Businesses:

- \$1.1 million for the Office of Advocacy research and database;
- \$500,000 for the Office of the National Ombudsman.

Procurement Assistance:

- \$2 million for HUBZones;
- \$1.67 billion in surety bonding;
- \$3.6 million for the Section 7(j) technical assistance program;
- \$500,000 for SBA's PRO-Net system.

Disaster Assistance:

- \$1 billion in loans for disaster victims.

Women-Owned Businesses:

- \$12 million to support an expanded Women's Business Center network;
- \$750,000 for the Women's Business Council;

Veteran-Owned Businesses:

- \$4 million for the National Veteran's Business Development Corporation.

Agency Modernization:

- \$8 million for systems modernization;
- \$2 million for workforce training and development.

Inspector General

- \$12.4 million for the Office of the Inspector General.

For more information about all of SBA's programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA, or visit the SBA's extensive Web site at www.sba.gov.

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